



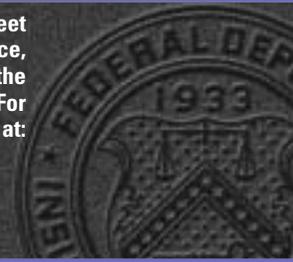
Letter to Stakeholders

1st quarter
2005

FDIC

This Letter covers the first quarter of 2005. Last year we positioned the FDIC to meet the challenges, and opportunities, of the future. In our 2005 Leadership Conference, the focus was on identifying what the public and banking industry needs from the FDIC in today's financial environment and how we can best meet their needs. For more information about the activities of the FDIC please visit our Web site at: www.fdic.gov.


Don Powell
Chairman



Our Priorities

Stability

- Reported that FDIC-insured commercial banks and savings institutions had income of \$123 billion in 2004, surpassing the 2003 record of \$120.5 billion and representing the industry's fourth consecutive earnings record.
- Published a series of articles in the spring 2005 issue of *FDIC Outlook* assessing the extent of interest rate risk and emerging issues in liquidity and funds management of FDIC-insured institutions.

Sound Policy

- Issued jointly, with the Office of the Comptroller of the Currency and the Federal Reserve Board, a notice of proposed rulemaking that would raise the threshold for a "small bank" in the CRA regulations from \$250 million to include those banks with under \$1 billion in assets, regardless of any holding company size or affiliation. These proposed revisions are intended to reduce regulatory burden on community banks while making CRA evaluations more effective in encouraging banks to meet community development needs.
- Issued jointly, with the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision Interagency Guidance on Response Programs for Unauthorized Access to Customer Information and Customer Notice. The guidance interprets the agencies' customer information security standards and states that financial institutions should implement a response program to address security breaches involving customer information.
- Revised the July 2003 examination guidance for FDIC-supervised institutions that offer payday loans. The revised guidance focuses on frequent borrower use of this short-term credit product and calls for banks to place appropriate limits on customer's use of the product.
- Issued, along with other federal bank and credit union regulatory agencies, final joint guidance to assist insured depository institutions in the disclosure and administration of overdraft protection programs.
- Produced a CD-ROM called *Inventory of Deposit Insurance Guidance*, an inventory of all deposit insurance guidance, to serve as a job aid for bank employees.
- Held a "Fighting Back Against Phishing and Account-Hijacking" symposium following the December 2004 release of our study on the growing and challenging problem of identity theft.

Stewardship

- Completed analysis of the FDIC's operating costs compared to the assessment base from 2001-2004. Analysis shows that, as the assessment base has risen, FDIC operating costs have remained level. Operating costs now represent less than two basis points on the assessment base. As a result, the FDIC provides an ever-better value to the banking industry.
- Received the 13th consecutive set of unqualified audit opinions on the financial statements of the three funds that the FDIC manages. The FDIC's external auditor, the Government Accountability Office (GAO), for the first time in several years did not cite information systems security as a reportable condition.
- Awarded multiple contracts for Information Technology Application Services. These 10-year contracts are for a broad range of IT services including application development and maintenance, organizational and management support, data management, and software process improvement.
- Held 2005 Leadership Conference with FDIC's executive managers. Three areas of emphasis emerged from the discussions of the FDIC's efforts going forward: continued excellence in community bank supervision, increased attention on large bank matters, and enhanced focus on consumer protection issues.

Our Key Indices Most Current Data

Insurance						
	BIF		SAIF		Both Funds	
Updated quarterly (\$ billions)	Q4 2003	Q4 2004	Q4 2003	Q4 2004	Q4 2003	Q4 2004
# Insured Inst.	8,010	7,852	1,186	1,136	9,196	8,988
\$ Insured Inst.	\$ 7,909	\$ 8,754	\$ 1,177	\$ 1,361	\$ 9,086	\$ 10,115
Insured Deposits	\$ 2,556	\$ 2,672	\$ 896	\$ 951	\$ 3,452	\$ 3,623
Fund Balances	\$ 33.8	\$ 34.8	\$ 12.2	\$ 12.7	\$ 46.0	\$ 47.5
Reserve Ratios	% 1.32	% 1.30	% 1.37	% 1.34	% 1.33	% 1.31

Supervision		
YTD	3/31/2004	3/31/2005
Total Number of FDIC Supervised Institutions	5,313	5,268
Bank Examinations:		
Safety and Soundness	650	687
Compliance and CRA	545	526
Insurance and Other Applications Approved	672	691
Formal and Informal Enforcement Actions	108	109

Receiverships						
	BIF		SAIF		Both Funds	
YTD (\$ millions)	Q1 2004	Q1 2005	Q1 2004	Q1 2005	Q1 2004	Q1 2005
Total Receiverships	31	30	3	3	34	33
Assets in Liquidation	\$ 330	\$ 222	\$ 341	\$ 302	\$ 671	\$ 524
Collections	\$ 74	\$ 20	\$ 8	\$ 56	\$ 82	\$ 76
Dividends Paid	\$ 177	\$ 15	\$ 0	\$ 116	\$ 177	\$ 131

Income						
	BIF		SAIF		Both Funds	
YTD (\$ millions)	Q4 2004	Q1 2005	Q4 2004	Q1 2005	Q4 2004	Q1 2005
Assessment Income	\$ 95	\$ 13	\$ 9	\$ 2	\$ 104	\$ 15
Interest	\$ 1,553	\$ 346	\$ 555	\$ 127	\$ 2,108	\$ 473
Comprehensive Income	\$ 1,005	\$ 37	\$ 480	\$ 73	\$ 1,485	\$ 110

Resources						
	Budget/Expenditures				On Board Staff	
(\$ millions)	Total	Ongoing Operations	Recvrshp Funding	Major Investment Funding	Q1 2005	Target Y/E 2005
Annual Budget	\$ 1,179	\$ 1,026	\$ 75	\$ 78	5,000	4,751
YTD Expended	\$ 255	\$ 236	\$ 3	\$ 16		

Financial data is unaudited